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ABSTRACT

This paper argues that because of a recent, sizable increase in the number of mergers and acquisitions, especially by foreign corporations in the United States, it is possible that a small number of firms could dominate the publishing and information processing industry in the world. The paper outlines briefly the patterns of mergers and acquisitions of U.S. publishing firms between 1984 and 1988; describes some theories explaining the increase in mergers and acquisitions; presents case studies of three foreign firms (Canadian, Australian, and British) involved in mergers and acquisitions; and examines some key public policy issues directly related to these mergers and acquisitions. The paper concludes that the battle for worldwide hegemony in the competitive field of publishing and communications just might be won in the next three years in New York City, Chicago, and Los Angeles, as a small number of foreign and American firms carefully construct the information empires of the future. Six tables of data and 28 notes are included. (MS)

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"THE GROWTH IN MERGERS AND ACQUISITIONS IN THE UNITED STATES PUBLISHING INDUSTRY: 1984-1988"

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THIS PAPER WAS PRESENTED AT THE 39TH ANNUAL CONFERENCE OF THE INTERNATIONAL COMMUNICATION ASSOCIATION IN MAY 1989 IN SAN FRANCISCO, CALIFORNIA.

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ABSTRACT

"THE GROWTH IN MERGERS AND ACQUISITIONS IN THE UNITED STATES PUBLISHING INDUSTRY: 1984-1988"

The American publishing industry is a large, diversified, market driven industry selling information in a plethora of formats, from printed books and scholarly journals to computer data-bases and CD-ROM options. According to the U.S. Department of Commerce's 1989 U.S. Industrial Outlook, this industry generated over $42.981 billion in shipments in 1988 in four distinct categories: periodicals $18.046 billion; book publishing $12.775 billion; miscellaneous publishing $5.96 billion; and electronic databases $6.2 billion. The Commerce Department projects +$47.5 billion in total publishing sales for 1989.

Recently, many foreign and United States corporations have purchased a significant number of U.S.A. publishers. If this consolidation trend continues, it is possible that a small number of firms could dominate the publishing and information processing industry in this nation and the world.

In this paper the researcher will: (1) outline briefly the pattern of mergers and acquisitions of U.S. publishing firms between 1984-1988; (2) describe some theories explaining the increase in mergers and acquisitions; (3) present case studies of three foreign firms (Canadian, Australian, and British) involved in mergers and acquisitions; and (4) examine some key public policy issues directly related to these mergers and acquisitions.

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INTRODUCTION*

Recently there has been a sizable increase in the number of merger and acquisitions, especially by foreign corporations, in the United States. Robert Hamrin, formerly an economist with the U.S. Congressional Joint Economic Committee, reported that between 1968 and 1973 there were 4,900 mergers and acquisitions in the United States with an average value of $30 million. By 1975 the total value of mergers and acquisitions exceeded $11.8 billion for 981 acquisitions.

In the 1980s this pattern accelerated, reaching 3,336 corporate acquisitions in 1986 worth $173 billion. In 1987 this increased to 3,565 acquisitions worth over $219.5 billion. There was another dramatic surge in 1988, generating a phenomenal $311.4 billion in sales covering 3,637 deals.

Wall Street firms specializing in acquisitions earned an impressive $1.28 billion in various consulting fees for arranging and managing these transactions in 1988. Goldman, Sachs, & Company alone worked on 158 mergers and acquisitions in 1988 (worth $93.4 billion in sales) (1).

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*For purposes of this research paper, the word "publishing" will include: books; periodicals, both business and consumer in addition to scholarly, professional, and technical journals; miscellaneous publishing, which includes directories, annuals, newsletters, etc.,; and electronic database publishing.

The publishing industry participated in this frenzy of activity. There were more than seventy major mergers and acquisitions between January and October 1988. Rupert Murdock's $3 billion purchase of Triangle Publications and Robert Maxwell's +$2.52 billion acquisition of Macmillan set the pace for the entire industry in 1988 (2).

Why was there a surge in mergers and acquisitions? What impact will this period of consolidation have on American society? Could the burden of debt associated with these mega-deals force some corporations into bankruptcy? Is it wise for American firms to sell off their valuable publishing assets and possibly lose control over their editorial independence? Should foreign owned firms oversee the planning and writing of textbooks used in America's elementary, junior, and high schools?

In order to address these issues, this researcher will: (1) list some of the mergers and acquisitions covering the years 1984-1988; to obtain this data, this researcher reviewed The Wall Street Journal, The New York Times, various financial reporting services (Moody's, Standard & Poor's, and Value Line), annual reports, 10-Ks, "tombstones" (display advertisements placed by investment banking firms in various financial service publications), and quarterly reports pertaining to the major publishing corporations operating in this nation; (2) present some theories explaining why there was an unprecedented growth in the number of mergers and acquisitions; (3) analyze briefly three major foreign firms

deeply involved in purchasing publishing and information processing corporations in the United States; and (4) examine some key public policy issues directly associated with these mergers and acquisitions.

RECENT MERGERS IN THE PUBLISHING AND INFORMATION PROCESSING INDUSTRY

Between 1984 and 1988, there were a significant number of publishing mergers and acquisitions involving dozens of major U.S. firms who spent a reported $11.107 billion on corporate takeovers. The actual costs associated with these acquisitions were probably closer to $20 billion.

Of course until quite recently, U.S. publishing houses emphasized single market niches, for example books, magazines, or scholarly journals (3). Limited product diversification existed. As Walter W. Powell pointed out in Getting Into Print, the amount of acquisition activity in the 1960s was "only a fraction of the rate of formation of new publishing companies... the industry's overall concentration rate [did] not increase..."(4).

The following table is based upon an intensive review of the financial documents and databases listed above. It is a **partial** but representative list of the major U.S. mergers and acquisitions in the publishing industry since 1984. "N/A" indicates that price information is not available to the public. Estimated prices are indicated with an asterisk (*). All figures are in U.S. dollars.

TABLE 1.1

Mergers and Acquisitions by U.S. Firms: 1984-1988

Company	Acquired	Price	Year
Affiliated Publications	Billboard	$100 million	1987
	Photo Design,	n/a	1987
	Back Stage	n/a	n/a
	American Film	n/a	1988
	The Hollywood Reporter	$26.7 million	1988
	McCaw Cellular (Additional 8% Share)	$264 million	1988
American Express Publishing Company	L.A. Style	n/a	1988
Robert M. Bass Group, Inc. (BHW Acquisition Corp.)	Bell & Howell	$678.4 million	1988
Boston Properties	U.S. News & World Report	$100 million	1984
Boston Ventures Management	Billboard and other publications	$40 million	1985
	Bill Communications	$90 million*	1989
Capital Cities/ ABC, Inc.	American Broadcasting Company	$3.5 billion	1986
	Satellite Music Network	$47.3 million	1989
	NILS Publishing	n/a	1988
	Institutional Investor	$72 million	1984
CBS	Ziff-Davis's Consumer Magazines	$362.5 million	1984
Conde Nast	Woman Magazine	n/a	1988
	Gourmet	$24 million	1984
Cowles Media Company	Hanson Publishing	$25 million*	1987
	Empire Press	n/a	1988
Diamandis Communications	CBS Magazines	$650 million	1987
Dun & Bradstreet Corporation	IMS International	$1.6 billion	1988

Gulf + Western	Prentice-Hall	$710 million	1984
	Maxwell Communications' Macdonald Children's Books	n/a	1989
	Home HealthCare Nurse	$2.5 million	1988
Harcourt Brace Jovanovich	CBS Educational and Professional Publishing	$500 million	1987
Knight-Ridder Publishing Company	Dialog Info. Ser.	$353 million	1988
Mead Corp.	Maxwell Communication's Michie Co.	$226.5 Million	1988
McGraw-Hill Inc.	Random House's School & College Book Divisions	$200 million	1988
	Macmillan's Science & Technical Publishing	n/a	1987
	News America's Aerospace & Defense Publications	n/a	1987
New Century Communication, Inc. (Kidder, Peabody, Group, Inc. and Members of HBJ Management; Edgell Comunications, Inc.	110 Harcourt, Brace, & Jovanovich Business Publications	$337 million	1987
Newhouse	The New Yorker, Horticulture, and a printing company	$150 million	1984-1985
The New York Times	Sailing World	n/a	1988
MCP, Inc. 1988	Seven regional Business Newspapers	$46.3 million	1988
Penton Publishing	Two McGraw-Hill Business Titles	n/a	1988
Petersen Publishing Company	Sport	$8-10 million	1988

Reader's Digest Assoc., Inc.	50 Plus	1988	n/a
	Family Handyman	1988	n/a
Time, Inc.	Scott Foresman	$520 million	1986
	Whittle Communications (50% share)	$185 million	1988
	Hippocrates (50% interest)	$9 million	1988
Scholastic Inc.	Child Care Center	$1.5 million	1988
Times Mirror Company	Richard D. Irwin, Inc. (from Dow Jones & Company, Inc.)	$135 million	1988
Ziff-Davis Publishing Company	MacWeek	n/a	1988

The following table is a partial but representative list of the major mergers and acquisitions of U.S. publishing corporations by foreign publishing firms since 1984, and it indicates quite clearly an intense level of activity.

All prices are in U.S. dollars. "N/A" indicated that price information is not available to the public. Estimated figures are marked with an asterisk (*).

TABLE 1.2

Mergers and Acquisitions of U.S. Publishing Firms by Foreign Corporations

Company	Acquired	Price	Year
Argus Press Limited (U.K.)	70 U.S. Titles	$351 million*	1988
Associated Newspapers Holdings PLC U.K.)	Whittle Communications (Partial Ownership)	n/a	n/a
	American Lawyer	n/a	n/a

Bertelsmann AG (West German)	Bantam, Doubleday, & Dell	n/a	n/a
	Parents Magazine	n/a	n/a
Bonnier Magazine Group (Sweden)	Cook's Magazine	n/a	n/a
William Collins PLC (U.K.)	One-half of Harper & Row	$156 million	1987
Elsevier (Holland)	Springhouse Corp.	$100 million*	1988
	Real Estate Data, Inc.	n/a	1988
	Damar Corp.	n/a	1988
	University Publications of America, Inc.	n/a	1988
	Laser and Optronics and Fiberoptics News	n/a	1987
	Three titles from Machalek Publishing	$3.5 million	1987
	Orthopedic Review and Anesthesiology Review	n/a	1987
	Three publications from Scott Periodicals	n/a	1987
	Packaging Digest	n/a	1985
	Gordon	$38 million	1985
	Delta Communications	n/a	n/a
	Computer Reseller	$4.5 million	1988
Fairfax (Australia)	Ms.	$10 million*	1987
Hachette (France)	Grolier	$462.2 million	1988
	Diamandis Communications	$712 million	1988
	Elle Magazine (U.S.A.) (Remaining 50% Share from News Corp.)	n/a	1988
International Thomson (Canada)	Securities Data Corp.	n/a	1988
	CPAid	n/a	1986
	UTLAS	n/a	1985
	South-Western Publishing	$270 million	1986
	Six titles from U.S. Business Press	$15.0 million	1986
	Clark Boardman Co. Ltd.	n/a	1980
	Practioners Pub. Co.	n/a	1986
	Warren, Gorham, & Lamont	n/a	1980
	Medical Economics Co.	n/a	1980
	Gale Research Co.	n/a	1981
	Van Nostrand Reinhold	n/a	1981
	American Banker	n/a	1983

	The Bond Buyer	n/a	1983
	Wadsworth Publishing	n/a	1978
	Callahan & Company	n/a	1979
	Sheshunoff Information Service	n/a	1988
	Mitchell International	n/a	1986
	Carswell Publishing	n/a	1987
Maclean Hunter (Canada)	Two McGraw-Hill Business Titles	n/a	1987
	Two McGraw-Hill titles, directories, and newsletters	n/a	1988
	Frozen Food Age	n/a	1987
	Six business magazines from Lakewood Publications	n/a	1986
	National Mall and Monitor	n/a	1985
	Guitar Player, Frets, and Keyboard	n/a	1985
Matilda Publications, Inc. (Australian)	Ms. and Sassy	n/a	1988
Maxwell Communications (U.K.; Luxembourg)	Twelve Farm titles	n/a	1986
	Science Research Associates	$150 million	1988
	Dun & Bradstreet's Official Airline Guides, Inc.	$750 million	1988
	Macmillan	+$2.5 bilion	1988
News Corporation PLC (Australian)	Williams Collins PLC (Remaining 54%)	$717 Million	1989
	Harper & Row	$300 million	1987
	TV Guide, The Racing Form, Seventeen, and Good Food	$3 billion	1988
	Twelve business magazines	$350 million	1985
	European Travel and Life	n/a	1985
	New Woman	$20 million	1984
	In Fashion	n/a	1988
Nihon Keizai Shimbun, Inc. (Japan)	Nikkei-McGraw-Hill, Inc. (Remaining 50% Share)	$283 million	1988

Pearson PLC (U.K.)	Addison-Wesley Publishing Co., Inc.	$284 million	1988
Reed International PLC (U.K.)	Variety	$56.5 million	1987
	Technical Publishing	$250 million	n/a
	Eight titles from Communications/Today	$35 million*	1988
	Modern Bride	$63.7 million	1987
	American Baby	n/a	1986
	VA Practitioner	n/a	1986
	Publishers Weekly and three other titles	n/a	1985
	Physicians Travel & Meeting Guide	n/a	1985
	Interior Design and Corporate Design	$25 million	1984
	Chemical Purchasing,	n/a	1983
	The Journal of Cardiovascular Medicine,	n/a	n/a
	Emergency Medicine	n/a	1983
	Printing News	n/a	1988
	Cahners Publishing Co.	n/a	n/a
Southam Inc. (Canada)	Sixteen regional trucking magazines	$11 million	1987
United Newspapers PLC (U.K.)	Television Broadcast, Computer Language	n/a	1988
	Videography	n/a	1988
	Corporate Television	n/a	1988
	AI Expert	$5 million	1987
	Paper Trade Journal	n/a	1987
	Medical World News	n/a	1987
	Pro Sound News	n/a	1986
	Miller Freeman Pub.	$9.4 million	1985
	Four optometry titles	$8.5 million	1985
	Sew Business	n/a	1984
	Gralla Publications	$44 million	1983
	Dealers' Digest, Inc.	n/a	n/a
VNU (Holland)	Hayden Publishing	$44 million*	1987
	McGraw-Hill's Electronics	$17 million	1988

SOME THEORIES CONCERNING THE GROWTH OF MERGERS AND ACQUISITIONS

International and United States corporations participated in this merger and acquisition process for many different reasons. It is not prudent, therefore, to assume that there is a "Rosetta Stone" that can decipher the myriad of forces and issues that created this phenomenon. However, some observations can be made about this situation (5).

One theory deals not with the American economic environment but with Europe's. On January 1, 1992 trade restrictions in the twelve European Common Market nations will end. This means that there will be a free exchange of capital, goods, and services between these countries, thereby making the Common Market the largest single market in the world with 324 million inhabitants. Trade "guidelines" will be created for non-Common Market states.

In 1988 the United States exported 22 percent of its published products to Europe (worth $352 million), second only to the 49 percent ($752 million in sales) purchased by Canada. So this is unquestionably a significant and existing market for U.S. publishing corporations (6).

In order to compete successfully in this deregulated Common Market, publishing firms must have access to: effective global marketing and advertising expertise; and an attractive collection of English language publications. Consequently, purchasing a United States publishing corporation with a strong marketing department, an active position in the international market place, or a strong product mix would enable

the acquiring corporation to obtain a much needed business foundation in order to maximize its market share in this new global climate.

In the past few years, serious discussions have taken place regarding the possibility of creating a Pacific Rim version of the Common Market. The existing Asian market currently purchases 18 percent of the United States' publishing products (worth $288 million). Naturally, U.S. firms with existing business relations in this part of the world could also be interesting targets for an acquisition.

Second, between 1984 and 1988, publishing concerns of all types were attractive and lucrative properties. The following table outlines recent business trends in this industry.

ABLE 1.3

Total Value of Shipments
($ Billion)

Time Period	Periodicals	Book Publishing	Miscellaneous Publishing	Electronic Database Publishing
1985	$15.246	$10.196	$4.437	n/a
1986	$15.719	$10.732	$4.887	n/a
1987	$16.758	$11.675	$5.425	n/a
1988	$18.046	$12.775	$5.96	$6.2
1989 (est.)	$19.478	$14.0	$6.525	$7.5
Compound Annual % of Change				
1972-1986	11.3%	9.9%	11.5%	n/a
1981-1986	9.8%	9.7%	12.8%	n/a
1986-1987	6.6%	8.8%	11.0%	n/a
1987-1988	7.7%	9.4%	9.9%	n/a
1988-1989 (est.)	7.9%	9.6%	9.5%	21%

The United States Department of Commerce projects a steady 2 to 3 percent growth rate for periodicals through 1993 (after adjustments are made for inflation). Book publishing should average 4 percent for these same years, and a strong 20 percent pace is projected for electronic database publishing (7).

Third, for several years the U.S. dollar has been quite weak, which resulted in a decline in advertising revenues for magazine companies. This economic malaise allowed foreign corporations to purchase U.S. publishing companies at what they perceived to be "below market" prices (8).

Another reason was the fact that U.S. publishing companies with successful magazines or electronic database information services throw off vast amount of cash because they collect their subscription fees up front and maintain small (if any) inventories. This means that a publishing firm outgrowing its traditional niches at home could take advantage of an expanding U.S. publishing industry without tieing up large amounts of cash. Leveraging the purchase of U.S. publishing companies has become an art practiced by deft international money managers.

Of course a recently purchased publishing firm might generate higher than anticipated profits, which enriches the coffers of the mother company (9).

According to Peter Drucker, America's premier management consultant and author, a company exists to satisfy the needs of a customer; a second reason is to make a profit (10). Publishing in the United States certainly affords foreign executives an

opportunity to make money. According to the 1988 Fortune 500 ranking of industries, publishing and printing (and printing clearly plays a secondary role) were ranked first among all industries for the largest percentage increase in sales (+31.8 percent) and tenth for the greatest percentage increase in profits (+39.8 percent). This industry was also highly ranked in other key areas, including second among all industries for return on sales (+8.4 percent), second for total return to investors between 1977-1987 (+22.8 percent), third for return on assets (+8.5 percent), and fourth for return on stockholders' equity (+18.9 percent) (11).

Another key reason for this merger and acquisition activity was the fact that it was cheaper and certainly easier for a firm to enter a new market niche by purchasing a company (or a title) with an existing leadership position rather than undergoing the usually lenghty, complex, and not always successful procedures associated with the start-up of a new publication, line of books, or, for that matter, a new corporation. In this way market share, image, and a certain amount of "good will" can be obtained overnight. This explains why McGraw-Hill purchased Random House's colege text-book division and Time, Inc. was willing to spend $520 million in 1986 for the famed book publisher Scott Foresman and $185 million in 1988 to obtain a 50 percent share of Whittle Communications.

Of course another reason centers on the idea that a publishing company with mature properties or flat or declining profit margins must diversify in order to survive in turbulent

times and withstand the ravages of economic uncertainty.

Admittedly some firms entered the acquisition phase in order to buy-out, and therefore eliminate, pesky competitors or would-be rivals.

The last but perhaps the most interesting theory is what this researcher calls the "dinosaur" theory. Most astute international publishers believe that in the near future only about ten large, global, diversified corporations will control most forms of communications (that is, publishing, information systems, electronic databases, television, films, etc.) in the world. In order to avoid extinction, aggressive companies planning to survive, if not dominate, in this "Darwinian" environment must purchase the right types of publishing and communications companies.

One event in early March 1989 illustrates graphically the "dinosaur" theory. On March 3, 1989 the boards of Time Inc. and Warner Communications agreed to merge, thereby creating a global corporation with $1.584 billion in operating profits (before taxes, corporate overhead, and interest) that would be "able to compete with any of the major foreign companies, such as Bertelsmann, Murdock, or Maxwell." Floyd Norris reported that "the new Time Warner Inc. will expand to become a communications powerhouse in Europe and the Pacific Rim countries." Gordon Crawford of Capital Research in Los Angeles said that "there's a compelling logic if you want to be [a] major player [in the communications industry] to be vertically integrated and global in breadth..." The Wall Street Journal maintained that this

merger will help Time-Warner "beat down, or at least survive, the competition from other global media giants" (12).

As far as international managers are concerned, publishing companies do not sell books or magazines; they sell information, whether it is printed in a scholarly journal, appears on a computer monitor, or is packaged in a microfiche or microfilm format.

Critics of the "dinosaur" theory could quickly point to the fact that even if ten firms were able to "control" (or seek "control" of) the international communications-informations industry, stringent anti-trust laws in the U.S. would be triggered to prevent such an occurance. Gordon B. Spivack, a Partner at Coudert Brothers, maintained recently that:

> there is nothing under the [U.S.] antitrust laws that will arise [from the propsoed Time-Warner merger] that cannot be taken care of by a negotiated settlement... The market is defined as the media, all the media, and, if you look at all the media, Time-Warner has a very small share of the overall market."

Obviously the proposed Time Warner merger has sparked a public debate about these very issues. Yet it remains to be proven in a court of law or before a Congressional committee whether such a situation would be, in reality, a "restraint of free trade" (13).

Other skeptics might argue, rather correctly, that such dominance could never take place in light of the current

technological metamorphosis. In the old days, there were high economic barriers preventing small companies from entering the publishing industry, for example the high start-up costs associated with developing a strong line of titles and effective distribution channels, marketing and production expenditures, etc. Desktop publishing has removed effectively many of these barriers; any ambitious individual can self-publish anything. How will these industrial leaders prevent small companies from penetrating existing or new markets?

In short they cannot; and, probably, they will not. The iron-clad laws of economics dictate that no company can achieve total control over a market; and, sometimes, corporations decide to deemphasize their role in a particular niche that they deem to be marginally profitable. A good example of this phenomenon was the decision some years ago by large book companies to cease publishing mid-list books (14).

These ten corporations will try to obtain legal hegemony over most of the market; the remaining portion covering marginally profitable, or newly emerging areas, can be serviced more effectively by small companies closer to the market. However, such operations can and probably will be acquired when revenues or market penetration reach a certain level.

THREE CASE STUDIES: MAXWELL COMMUNICATIONS

How do foreign companies operate in this global

communications environment? In order to address this issue, case studies of three key global communications corporations will be presented.

Maxwell Communications is legally based in Luxembourg with corporate headquarters in the United Kingdom. According to The Wall Street Journal, Maxwell generated (approx.) $1.522 billion in total annual revenues and $231.4 million in net income in 1988. It was ranked #436 on the 1988 "Fortune International 500" The company's founder and enigmatic chief executive officer is Robert Maxwell. Maxwell's strategic goal is to become the world's leading totally integrated communications company with $9 billion in annual sales by 1993 (15). The following chart outlines Maxwell's holdings in the United States.

TABLE 1.4

Maxwell Communications

Publishing	Printing	Data Services
Pergamon: Scholarly Journals	Commercial printing companies	Ad/Sat Independent Network Services
Official Airlines Guides	The Webb Company	Orbit
Headway Publications	Providence Gravure	InfoLine
Science Research Associates	Diversified Printing	Pub/Data
Macmillan	Alco Gravure	

Maxwell sustained a series of bitter and costly defeats in the United States in his attempt to create a global communications company. He tried unsuccessfully to gain control of Scientific American (1986), Harcourt Brace Jovanovich (1987), and Bell & Howell (1988). However, in 1988 he was finally able to

obtain control over a major U.S. publishing corporation. Macmillan was wrested away from Kohlberg, Kravis, Roberts in an expensive +$2.52 billion acquisition. This was a major coup, as was his $750 million acquisiton of the Official Airlines Guides (from Dun & Bradstreet) and the June 1988 $150 million acquisition of Science Research Associates (a technical publishing corporation from the International Business Machines (IBM) Corporation. Maxwell was now firmly ensconced in the top echelon of major American publishers (16).

In addition Maxwell acquired and upgraded eighteen commercial printing companies for over $830 million (17). Maxwell is now the second largest commercial printing company in the U.S. with estimated 1987 sales revenues of $800 million. Maxwell plans to diversify and generate no more than 50 percent of future American revenues in printing. The major portion of future revenues will be in publishing.

In order to generate cash for acquisitions, Maxwell Communications sold $1.1 billion worth of stock in 1987 to investors (18). Yet even this amount is not adequate in the hotly contested world of global comunications empires. He was forced to sell his commercial printing operations in the United Kingdom in 1988 for $455.11 million to a group of company executives. In late December 1988 his investment bankers (Rothchild) purchased Intertec Publishing Company and the Webb Agricultural Magazines for an undisclosed amount of cash. As of March 3, 1989, Maxwell still had over $1 billion in assets on the market in order to raise additional funds to support his

ambitious plans to launch a European newspaper patterned after USA Today.

NEWS CORPORATION

Rupert Murdock's $3 billion purchase of Triangle Publications, which includes TV Guide, several other titles, and a printing plant placed Murdock at the front ranks of global communications corporations.

Now the News Corporation can offer potential customers an attractive and comprehensive advertising package that few communications companies can rival. A client can arrange with the News Corporation to have an advertising campaign break on Fox television, which Murdock owns, and supported with free-standing inserts (newspaper coupons; Murdock has a commanding 52 per cent market share in this fast-growing $700 million American industry) (19). There can also be a print campaign in TV Guide and Seventeen, both Triangle properties, and additional coverage in a variety of other periodicals issued by the News Corporation. Of course a product could be "featured" (that is advertised) in a film issued by 20th Century Fox, another News Corp. company.

In 1988 the News Corporation, a global Australian based communications corporation, generated $4.3 billion in 1988 annual revenues; it also had $11 billion in total assets and over $7 billion in debt. The News Corporation, ranked #187 on the 1988 "Fortune International 500," is controlled by Rupert Murdock, who holds 49 percent of its stock. It has staked out major

positions in newspapers (43 percent of the corporation's revenues and 47 percent of its profits), periodicals (10 percent its revenues and 10 percent of its profits), television (9 percent of its revenues and 8 percent of its profits), film and entertainment (20 percent of its revenues and 12 percent of profits), commercial printing (4 percent of revenues and 2 percent of profits), and "other activities" (14 percent of revenues and 21 percent of profits). The bulk of the company's business activities were in the U.S.(42 percent of its 1988 revenues and 40 percent of the profits). European activities generated 28 percent of revenues and 37 percent of total profits; Australian and Pacific Rim endeavors were 30 percent of its revenues and 23 percent of profits (20).

TABLE 1.5

News Corporation in the U.S.

Consumer Magazines	**Business Magazines**	**Publishing**
New York New Woman Elle Automobile European Travel and Life	Hotel & Travel Index Meetings & Conventions Official Hotel & Resort Guide Official Meeting & Facilities Guide Travel Weekly	Harper & Row J.B. Lippincott Gower Medical Loose-leaf sales Journals
Newspapers		**Film**
The Boston Herald San Antonio Express-News		20th Century Fox
Television		**Commercial Printing**
Fox Broadcasting		

Harper & Row was purchased in 1987 for $300 million, and Murdock quickly sold 50 per cent of it for $156 million to William Collins PLC, a British publishing corporation. At that time Murdock held a sizable portion of stock in Collins. In January 1989 Murdock purchased the rest of Collins for $717 million (21).

The Triangle Publications purchase will bring a rich publishing tradition to Murdock's company. TV Guide, Seventeen, and The Racing Form (a daily tabloid for people interested in the "sport of kings") are highly successful publications. It is estimated that The Racing Form alone produced $40 million in profits on just $80 million in total revenues in 1987. Total profits for all of Triangle Publications topped $85 million in 1987 on $700 million in revenues.

The company has long been active in electronic publishing, and they announced a sophisticated electronic system for the hotel and tourism industry that just might revolutionize how individuals plan their vacations.

It is difficult to say what is next on the Murdock agenda; he does not utilize strategic long-range plans, and he has rarely exhibited very much interest in the daily operations of his companies (with the exception of his newspapers). One is tempted to say that there is not much left that he could purchase in light of the debt associated with the Triangle and Collins acquisitions. Yet rumors surfaced in March 1989 that Murdock might be interested in taking over Time Inc. Only a fool would

ever underestimate Rupert Murdock, possibly the most important force in the international communications industry in 1989.

INTERNATIONAL THOMSON

The International Thomson Organisation (ITO) is one of the world's largest communications company, ranked by the 1988 International Fortune 500 at #185. Thomson is a large Canadian conglomerate with $3.537 billion in total revenues (23). The following table outlines their sizable holdings in the U.S., all of which were acquired.

TABLE 1.6

International Thomson Organisation
Information/Publishing Group

Professional Publishing	**Business Press**
Callahan & Co.	American Health Concultants
Clark Boardman	International Thomson Communications
CPAid	International Thomson Industrial Press
Practitioners Pub.	International Thomson Retail Press
Taft Group	International Thomson Transport Press
Thomson & Thomson	McKnight Medical Communications
Warren, Gorham & Lamont	Mitchell International
	Med Publishing, Inc.
	Medical Device Register Inc.
	Medical Economics Co. Onc.
	Pacific Shipper/Pacific Traffic
	Traffic Services Corp.
	Veterinary Medicine Publishing Co.
	Ward's Communications
Thomson Information Services Ltd.	**International Thomson Publishing (Education/reference)**
Jane's Publishing Inc.	Boyd & Fraser Publishing Co.
	Brooks/Cole Publishing

InFiNet

American Banker
The Bond Buyer
Mortgage Commentary
Publications
Technical Data
TransData Corp.

Delmar Publishers Inc.
Gale Research Company
Heinle & Heinle Publishers, Inc
International Thomson Publishing
Linguistics International Inc.
PWS-Kent Publishing Co.
Rapid Patent Service
South-Western Publishing Co.
Van Nostrand Reinhold Company
Wadsworth, Inc.,

In 1987 Thomson had sizable positions in electronic information and publishing ($1.418 billion in revenues), leisure and travel ($1.69 billion), and oil and gas holdings ($423 million). Th oil and gas division was sold early in 1989 for $616.8 million.

Its operating profit was $329 million. The largest contributor to these profits were information and publishing with $212 million. Leisure activities yielded $46 million, and oil and gas provided the remaining $71 million. Stockholders' equity reached $1.188 billion.

Between 1977 and 1987, total sales grew from $756 million to $3.537 billion; operating profits increased from $183 million to $329 million. Over 75 per cent of Thomson's common shares are held by the Thomson family.

Thomson's strategic plan is "to enhance our leading positions in specialized information and publishing... we place emphasis on quality, service, and market leadership... In building for the future, we aim to avoid speculation, but we are prepared to take calculated risks..." (24).

The bottom line speaks for itself. Thomson publications

hold top market positions in many different niches, including financial (especially with American Banker and The Bond Buyer) and the pivotal health-care field (its Medical Economics totally dominates this niche). Of special interest is its sophisticated electronic information network, which includes AutEx Trading Information Systems, Munifacts, InvestText, TRADEMARKSCAN, the Mortgage-Backed Securities Information Service, Spectrum, Cadence, Video Munifacts, Alert, Multi Port, and the Financial Software Series. Its directory unit boasts the internationally respected Jane's group (including Jane's Fighting Ships) and the Gale Research Company; and Clark Boardman is one of the leading publishers of legal reference books.

Thomson lacks the glitz of some of the Murdock holdings or the global intrigue associated with Maxwell; all Thomson does is dominate market niches and make money. If only ten companies control the global communications industry, it is a safe bet that Thomson will be one of them.

PUBLIC POLICY ISSUES

This researcher believes that the acquisition of U.S. publishing firms by foreign corporations has had a number of positive effects. These companies were: (1) provided better access to the global communications market; (2) allowed to utilize the vast financial and human resources of the parent company in order to diversify, develop new products, and become more competitive; and (3) positioned to withstand the onslaught

of fierce international competition, especially in light of the opening of the lucrative Common Market in 1992.

However, there are some downside results directly attributable to this reformulation of the publishing industry in the United States.

Mergers and acquisitions per se are not detrimental to America's economy. Yet the apparently mindless acquisition of some properties has displaced hundreds, if not thousands, of employees and contributed little if anything to the Gross National Product. Only Wall Street financiers have really benefitted from what has become a paper exchange of assets.

Second, the already strained American educational system is totally dependent upon a ready supply of textbooks for use in classrooms. Traditionally these books have been one of the major sources of information about the American democratic system. If these books are planned and written by foreign owned companies, will these texts continue to help educate the youth of America (which is after all the hope of the future) about our history and way of life?

Third, most of the profits generated by foreign owned corporations in the United States ultimately leave America, thereby depriving this nation of needed capital for various investments. Should we accept America's new status as an economic "province" of foreign nations?

Another critically significant issue deals with the loss of editorial independence that book, periodical, or database publishers need in order to maintain a sense of objectivity.

Obviously, there are a small number of publishing companies that specialize in "liberal" or "conservative" causes. However, for the most part, America's publishing enterprises remain neutral in the political arena. Will this continue? Or will a foreign owned book company refuse to publish, for example, a "liberal" or a "conservative" author just because this individual's viewpoint does not agree with the stated position of the "mother country" or "mother company"? Is it in the best interests of this country to have a small handful of corporations deciding what we read, see, or hear? Professor Ben H. Bagdikian remarked recently that

> the [Time-Warner] merger means there will be a further concentration of power over programming and an enormous increase in private power as well... This merger also means more uniformity of content in the media because the big companies all have the same goal... (25).

Is it possible that the next generation of Woodwards and Bernsteins, the heirs of Ida Tarbell and Lincoln Stephens, will be unable to get into print? It is obvious that answers to these questions are needed.

Another point deals with the fact that America has become far too dependent on foreign nations for capital. Between 20 percent and 35 percent of all U.S. Treasury Bill sales are made to foreign banks. Our Government relies on cash generated through these Treasury Bill sales to pay its bills; so the possibility exists that a foreign nation (or nations) might be able to

influence directly the political decision making process on the Federal and/or state level. After all these nations have invested over $1.5 trillion in this nation, and it is safe to assume that they are keenly interested in making sure that their investments are duely protected (26).

Last, many firms involved in mergers and acquisitions have leveraged their money; they are carrying a significant amount of debt that is repayable at high interest rates. These corporations are vulnerable to any fluxuation, even minor ones, in the U.S. and international economies. The spectre of an increased number of bankrupties exists, which could seriously weaken the underpinnings of our economy (27).

Harcourt Brace Jovanovich is an interesting example of a company that was directly and adversely affected by this merger and acquisition process. In 1987 Robert Maxwell initiated a hostile takeover of Harcourt. In order to remain independent and thwart Maxwell's plans, Harcourt completed a recapitalization plan in July 1987 whereby $1.67 billion was paid out in a special one time only cash dividend of $40.00 per share; in addition $1.3 billion in debt was assumed. As of November 1988, Harcourt Brace Jovanovich had a long term debt of $2.6 billion.

While Harcourt Brace's sales were up a strong +16 percent in in the first half of 1988, so were its interest payments directly associated with this recapitalization plan. Standard & Poor's estimated recently that, in spite of its sales increases, Harcourt sustained a net losses of $1.40 per share in 1988; losses are projected for 1989, and Harcourt will be unable to

issue any cash dividend before 1993 (28).

How healthy is it for the U.S. publishing industry to be saddled with this type of debt? ? Will the press runs of books be shortened? Will the price of a typical college textbook really become astronomical? Will books go out of print faster than they currently do just in order to generate enough cash to pay-off this debt?

SUMMATION

If the Battle of Waterloo were indeed won on the playing fields of Eton, then the "battle" for world-wide hegemony in the competitive field of publishing and communications just might be won in the next three years in New York City, Chicago and Los Angeles as a small number of foreign and U.S. firms carefully construct the information empires of the future.

The U.S. was from the beginning an idea, and that idea was "freedom". This nation offers entrepreneurs the freedom to create dynamic corporations, to take advantage of an almost endless number of exciting, lucrative financial opportunities, and, for some individuals, to forge a pathway to power. The U.S. has always attracted all kinds of people; apparently it still does.

This merger and acquisition process is far from complete. Additional analysis of this situation is needed, especially by academics keenly interested in and concerned about the future of the communications industry and the dissemnation of knowledge in the United States and the world.

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First, few of these corporations use generally accepted U.S. accounting procedures. Rupert Murdock's News Corporation, for example, utilizes the Australian accounting system, which protects this company ultimately from certain problems associated with the reporting of intangible assets (such as a magazine title). In the United States, a company must charge off intangibles against earnings; under Australia's more liberal system, Murdock is exempt from this rule. In addition the News Corporation can increase periodically the value of a magazine's title, which also increases shareholders' equity and the borrowing power of the company. U.S. firms are prohibited from doing this.

The Wall Street Journal estimates that shareholders' equity in the News Corporation would be (approx.) $2.3 billion in 1987 if U.S. accounting standards were followed. However, using Australia's methods, Murdoch was able to state quite legally that the News Corporation's shareholders' equity

hovered at the $4.5 billion mark.

A second problem dealt with the dearth of usable financial data. This researcher had to rely at times on published estimates which often bordered on thin guesses about Maxwell Communications. William Jovanovich, hardly a neutral bystander, is alleged to have said that Robert Maxwell "emerged from the mists of Ruthenia after World War II." It also appears that Maxwelll surrounded his ledger books with this same "mist" since the always resourceful New York Times and The Wall Street Journal admitted that they had to utilize "estimates" about Maxwell's total revenues.

Lastly, the Bible states that "those who live by the sword will die by the sword." The same holds true for researchers who use ever changing foreign exchange rates in order to convert foreign assets and liabilities into U.S. dollars.

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